

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 L-03 COME-00 FMC-01 DOTE-00

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DRAFTED BY EB/ICD/FTD:AJWILLIAMS:CSH

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USDA:GRATHELL

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

C O N F I D E N T I A L STATE 189857

E.O. 11652: N/A

TAGS:

SUBJECT: COTTON CONTRACTS - SHIPPING PROBLEM

PASS AGATT

1. WE HAVE DESCRIBED BELOW IN DETAIL PROBLEM CREATED BY GOP REQUIREMENT THAT U.S. COTTON SHIPPERS USE PHILIPPINE FLAG VESSELS TO SHIP ALL COTTON TO PHILIPPINES, INCLUDING COTTON LISTED ON ANNEX OF ASSURANCES. ELEMENTS OF PROBLEM ARE FOLLOWED BY A SUGGESTED SOLUTION.

2. PHILIPPINE LINE SCHEDULE IS AS FOLLOWS: (EACH SHIP CAN LOAD 10,000 BALES OF COTTON).

-- SHIP NAME	PORT	DATES
PHILIPPINE RIZAL	GULF PORTS	AUG 23-29
ZAMBOANGA	GALVESTON	SEPT 3-5

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LUNA	GULF PORTS	SEPT 12-21
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BATAAN	GULF PORTS	OCT 4-14
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-- CORREGIDOR GULF PORTS EARLY NOV

3. APPROXIMATELY 48,000 BALES REMAIN IN HANDS OF SHIPPERS.
BEST BREAKDOWN AVAILABLE BY PERIODS IS AS FOLLOWS:

---	PERIOD	NO OF BALES
---	I	15,436
---	II	23,770
---	III	5,750
---	IV	900

WE UNDERSTAND THAT THERE ARE ALSO 5,000 TO 7,000 BALES NOW
IN PORTS AWAITING SHIPMENT.

4. THREE OTHER FACTORS MUST BE CONSIDERED:

(A) APPROXIMATELY 6,600 OF THE 48,000 BALES OF COTTON COME
FROM OUTSIDE GULF AREA, FROM CALIFORNIA FOR MOST PART,
DISTRIBUTED AS FOLLOWS: PERIOD I: 800 BALES; PERIOD II:
5,000 BALES; AND PERIOD III: 800 BALES.

(B) APPROXIMATELY 8,150 BALES OF NON-ANNEX COTTON ARE
SCHEDULED FOR SHIPMENT IN JUNE-AUGUST PERIOD.

(C) LIRAG IS A SPECIAL CASE SINCE MILL HAS REFUSED TO PAY
FREIGHT IN ADVANCE (EVEN THOUGH CONTRACTS ARE FOB). CONSE-
QUENTLY, GOP HAS GRANTED WAIVERS THAT ALLOW LIRAG COTTON
TO BE SHIPPED ON NON-PHILIPPINE FLAG VESSELS. LIRAG HAS
APPROXIMATELY 4,000 BALES IN PERIOD I AND 4,000 BALES IN
PERIOD II WHICH REMAIN TO BE SHIPPED.

5. THUS, AT PRESENT, THERE ARE APPROXIMATELY 48,000 BALES
REMAINING TO BE SHIPPED BY PHILIPPINE FLAG VESSELS: E.G.
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48,000 BALES REMAINING ON ANNEX PLUS 8,150 BALES OF NON-
ANNEX COTTON MINUS 8,000 BALES OF LIRAG COTTON. UNDER
PRESENT RULES GOVERNING USE OF PHILIPPINE FLAG VESSELS,
COTTON COULD NOT BE SHIPPED BEFORE EARLY NOVEMBER (FIVE
SHIPS CARRYING 50,000 BALES). HOWEVER, IF WAIVERS ARE
GRANTED FOR THE 5,000 TO 7,000 BALES NO; ALREADY PORT-SIDE
AND FOR 6,600 BALES FROM OUTSIDE GULF AREA, (SO THAT IT CAN
BE LOADED AT WEST COAST PORTS), BULK OF COTTON COULD SAIL
ON FOUR SHIPS PRIOR TO AND INCLUDING THE BATAAN. (OCT 4-14)
IN ADDITION TO MEETING ASSURANCE SCHEDULE, THIS SOLUTION
WOULD ALSO SAVE U.S. SHIPPERS EXPENSE OF FREIGHTING COTTON
FROM CALIFORNIA TO GULF PORTS.

6. U.S. SHIPPERS HAVE NO OBJECTION TO USING PHILIPPINE FLAG SHIPS IF SHIPS AND SPACE ARE AVAILABLE (SO THAT CARRYING CHARGES ARE NOT INCREASED), AND REASONABLY CONVENIENT (SO THAT EXPENSIVE OVERLAND FREIGHTING IS NOT NECESSARY). FYI WE UNDERSTAND GOP HAS ALREADY WAIVED FLAG VESSEL REQUIREMENT IN A NUMBER OF SPECIFIC CASES, AN ACTION WHICH HAS CONSIDERABLY FACILITATED MOVEMENT OF COTTON TO DATE. END FYI IT ALSO SEEMS MORE THAN REASONABLE, IN LIGHT OF ASSURANCES, TO EXPECT GOP TO FOLLOW SHIPPING POLICY WHICH WILL ALLOW ANNEX COTTON TO BE SHIPPED AS SOON AS POSSIBLE AFTER L/C'S ARE OPENED REGARDLESS OF SHIP FLAG.

7. REQUEST EMBASSY PRESENT THIS POSITION TO GOP WITH STRONG APPEAL THAT WAIVERS CITED ABOVE BE GRANTED. KISSINGER

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